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FM AMCONSUL SHANGHAI
TO RUEHC/SECSTATE WASHDC 8507
INFO RUEHOO/CHINA POSTS COLLECTIVE
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RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEHML/AMEMBASSY MANILA 0158
RUEHBS/USEU BRUSSELS 0036
RUEHPS/USMISSION OEDC PARIS FR
RUEHUL/AMEMBASSY SEOUL 0660
RUEHGP/AMEMBASSY SINGAPORE 0319
RUEHKO/AMEMBASSY TOKYO 0871
RUEHGH/AMCONSUL SHANGHAI 9174

UNCLAS SECTION 01 OF 03 SHANGHAI 000027

SENSITIVE
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DEPT FOR EAP/CM
NSC FOR MEDEIROS, LOI, SHRIER
STATE PASS USTR FOR STRATFORD/WINTER/MCCARTIN/KATZ/MAIN
USDOC FOR ITA DAS KASOFF, MELCHER, SZYMANSKI, MAC/OCEA
TREASURY FOR OASIA/INA -- DOHNER/HAARSAGER/WINSHIP
TREASURY FOR IMFP -- SOBEL/CUSHMAN
STATE PASS CEA FOR BLOCK
STATE PASS CFTC FOR OIA/GORLICK
MANILA FOR ADB USED

E.O. 12958: N/A
TAGS: [PGOV](#) [ECON](#) [EIND](#) [ETRD](#) [CH](#)
SUBJECT: BOOMING JIANGSU PROVINCE WELCOMES CONSULATE OBSERVERS TO
PEOPLE'S CONGRESS OPENING

REF: A. 09 SHANGHAI 444
[1](#)B. 09 SHANGHAI 451

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[1](#)1. (SBU) Summary: Jiangsu Governor Luo Zhijun pledged to "transform" the province's economy towards a greater emphasis on home-grown innovation and domestic consumption in the Jiangsu Provincial Government's 2010 Work Report delivered January 26. The provincial government will continue to address "livelihood problems" such as education and health care -- and is especially focused on rising housing prices -- but Luo offered few policy details. Governor Luo mentioned the Shanghai 2010 World Expo and Yangtze River Delta integration only once -- a somewhat surprising lack of emphasis given that Jiangsu borders Shanghai and the Expo is less than 100 days away. He also said little about Jiangsu's emerging civil society and growth of NGOs. CongenOfs' attendance at the opening of Jiangsu's annual legislative session generated considerable interest from provincial leaders and the media, as it was the first time in recent memory that foreigners had attended. End Summary.

JIANGSU MAINTAINS DOUBLE DIGIT GROWTH DESPITE GLOBAL DOWNTURN

[1](#)2. (SBU) Governor Luo opened his 90-minute address by stating that 2009 was a "difficult year" for Jiangsu's export-driven economy. As one of China's wealthiest provinces located in the Yangtze River Delta region, Jiangsu struggled to cope with the global financial crisis during the previous year, Luo acknowledged. However, despite the challenges, Jiangsu's economy continued to grow, as GDP increased by 12.4 percent -- only 0.1 percentage points slower than in 2008 and over two points higher than the target announced a year ago -- and fiscal revenue rose 18.2 percent, 8 points higher than the 2009 revenue target of 10 percent. At year's end, average urban per capita income stood at

RMB 20,552 and rural per capita income eclipsed RMB 8000.

13. (SBU) The Work Report highlighted the growing contribution of Jiangsu's poorer and less developed northern region (Subei) to the provincial economy, noting that the areas north of the Yangtze River accounted for 42.3 percent of provincial GDP in 2009, an increase of 2.9 percent over the previous year. Much of the increase in both northern and southern Jiangsu was due to ongoing infrastructure projects, including new rails, roads, and development zones. According to Luo, development projects in Jiangsu (similar to the claim frequently made by Shanghai officials) increasingly are "high-tech" investments designed to minimize environmental pollution.

14. (SBU) Despite its accomplishments during 2009, Jiangsu still faces five major challenges as 2010 opens, Luo said. According to the Work Report, the primary areas of concern are: (1) low levels of consumption, (2) an economic development strategy that is too resource-intensive, (3) low incomes in rural areas, (4) pressure on fiscal income due to the financial crisis, and (5) unemployment. In addition, Luo also cited inflation, food and drug safety, market supervision and product safety, livelihood problems, and safeguarding social stability as areas of ongoing concern.

TRANSFORMATION IN 2010: INNOVATION AND CONSUMPTION

15. (SBU) Much of the Jiangsu Provincial Work Report focused on "transforming the economic development model" by emphasizing home-grown innovation and domestic consumption in accordance with what Luo said would be a primary objective of the Central Government's 12th Five-Year Plan. According to the Work Report, Jiangsu's economic growth target in 2010 is a 10 percent increase in GDP, but unlike previous years, the increase would

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be driven by an estimated 17 percent in domestic consumption versus only 5 percent from exports (with FAI remaining steady at an annual increase of 18 percent). He added that the provincial government would encourage developing consumer credit in order to build a stronger "consumption environment." The automobile, tourism, and communications sectors would help drive consumer demand.

16. (SBU) Luo said self-reliant innovation would be at the core of Jiangsu's "sound and fast economic development." The province also would need to develop its own intellectual property in order to improve its international competitiveness. Improving Jiangsu's human resource base would be necessary to support the provincial government's innovation goals, Luo said.

TACKLING EVERYDAY PROBLEMS: HEALTH CARE, EDUCATION, AND HOUSING

17. (SBU) As in the previous year, the Work Report focused attention on "livelihood problems" such as education and health care, but Luo offered few policy details. On infectious disease prevention, however, Luo twice mentioned H1N1 prevention as a priority for the provincial government. He also said the provincial government would increase its annual expenditure for the rural cooperative medical system (RCMS) to RMB 120 per person. He also stressed the importance of "improving the quality of education" in the province -- both at the high-end to contribute to home-grown innovation and at the low-end to help alleviate poverty in the countryside.

18. (SBU) In particular, Luo focused on controlling spiraling housing prices while at the same time promoting the growth of a "healthy" real estate sector. Addressing housing problems in the Work Report's section on "sound and fast economic development" as the second priority behind only "promoting domestic consumption," Luo expressed the provincial government's continuing concern that rising housing prices are "quickly

reaching a point beyond which average people will be unable to afford."

NOT MUCH ON SHANGHAI EXPO OR BUILDING CIVIL SOCIETY

¶9. (SBU) Somewhat surprisingly given Jiangsu's location adjacent to Shanghai, the Work Report referred only once to the upcoming Shanghai 2010 World Expo, which is set to open May 1. Luo said only that Jiangsu would "enthusiastically participate in and serve" the World Expo while working to improve Yangtze River Delta integration. It was the only mention of the Expo or YRD integration in the 27-page Work Report document.

¶10. (SBU) The Work Report also said little about the province's emerging civil society and growth of NGOs. It did however highlight the provincial government's efforts at greater transparency, particularly in the area of inviting comments from the public on provincial and local government appointments.

CONSULATE BREAKS NEW GROUND WITH JIANGSU LEADERS

¶11. (SBU) Comment: We were pleased that the Jiangsu Provincial Foreign Affairs Office and Provincial People's Congress approved our request to attend this year's legislative session, which was the first time in recent memory that foreigners have been given permission to attend the "Two Meetings" in Jiangsu. Provincial Party Secretary Liang Baohua, who previously met Ambassador Huntsman in December and hosted a delegation from the state of

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New York in October, made a point of welcoming "representatives from foreign consulates" during his opening remarks on January 26. CongenOffs' attendance also generated considerable local media attention and the Consulate's Deputy Principal Officer was mobbed by reporters from both print and television media after the opening session concluded. Several, mostly provincial, media outlets published articles touting the openness of the Jiangsu People's Congress. The Deputy Consul General was quoted praising Jiangsu's openness and transparency as well as the government's management of the economy in spite of global economic difficulties. End Comment.
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